Introduction to Business Valuation

Term	Definition
52 Week High/Low	The highest and lowest prices of a stock in the past 52 weeks, used as a benchmark in valuation.
Asset Approach	Valuation approach based on the fair market value of a company's net assets.
Beta	A measure of a stock's volatility relative to the market.
Capital Asset Pricing Model (CAPM)	A model that calculates the expected return of an asset based on its risk.
Cash and Cash Equivalents	Highly liquid assets that can be quickly converted to cash.
Control Premium	An additional price paid during an acquisition to reflect strategic advantages gained by the buyer.
Cost of Capital	The rate of return required by investors to finance a business or investment.
Debt Financing	Raising capital for a business by borrowing funds, typically through loans or bonds.
Discount Rate	The rate used to discount future cash flows to the present value.
Discounted Cash Flows (DCF)	A valuation method that forecasts future cash flows and discounts them to the present value.
EBITDA	Earnings before interest, taxes, depreciation, and amortization, used to measure a company's financial performance.
Earnings Per Share (EPS)	A measure of a company's profitability, calculated as net income divided by outstanding shares.
Enterprise Value	The total value of a company's operations, including both debt and equity.

Enterprise Value Multiples	Valuation metrics such as EV/Sales or EV/EBITDA that represent the total value of a business.
Equity Risk Premium	The additional return expected from holding a stock instead of a risk-free asset.
Equity Value	The portion of a company's value that belongs to shareholders.
Equity Value Multiples	Valuation metrics such as P/E or P/B that reflect only the equity value of a business.
Firm-Specific Risk	The risk unique to a specific company, such as management or operational factors.
Football Field Chart	A visual representation used to compare different valuation methodologies to determine a range of values for a company.
Gross Debt	The total value of a company's debt, including short-term and long-term obligations.
Impairment Testing	A valuation adjustment to reflect potential declines in asset value.
Industry Beta	An average or median beta calculated from a group of companies in the same industry.
Internal Rate of Return (IRR)	The discount rate at which the net present value of an investment becomes zero.
Intrinsic Valuation	A valuation approach that determines the value of a company based solely on its intrinsic factors, without market considerations.
Intrinsic Value	A valuation method focused on a company in isolation, considering future performance and cash flows.
Levered Beta	A beta adjusted for the company’s capital structure to account for debt.
Levered Free Cash Flow (LFCF)	Cash flow remaining after a business has met its debt obligations.
Liquidation Value	The estimated amount an entity can receive if it is liquidated and assets are sold individually.

Macroeconomic Environment	Broader economic factors like inflation, interest rates, and political conditions impacting a company's valuation.
Market Capitalization	The total market value of a company's outstanding shares.
Market Risk	The risk affecting all companies in the market, such as economic conditions or political events.
Mid-Period Discounting	A discounting approach that assumes cash flows occur in the middle of a period rather than at the end.
Microeconomic Environment	Internal factors like company management and industry competition influencing a company's performance.
Net Debt	The difference between a company's total debt and its cash or cash equivalents.
Net Present Value (NPV)	The sum of discounted future cash flows to determine the value of an investment or business.
Numerator-Denominator Consistency	Ensuring that the numerator and denominator in financial ratios match the valuation perspective (enterprise or equity).
Perpetuity Growth Method	A method for calculating terminal value based on an assumed perpetual growth rate.
Precedent Transactions	A valuation method analyzing previous transactions in the same sector to determine value.
Public Company Comparable	A method comparing similar publicly traded companies to estimate valuation multiples.
R-Squared	A statistical measure of how well changes in one variable explain changes in another variable.
Relative Valuation	Valuation methodology that compares a company's metrics to similar assets or peer companies.
Relative Value	A valuation approach comparing a company's value to peers or similar transactions.
Replacement Cost	The cost required to replace an asset with another of similar kind and condition.

Return on Equity (ROE)	A measure of a company's profitability relative to its shareholder equity.
Risk-Free Rate	The return on a risk-free investment, typically represented by government bonds.
Synergies	The financial benefits realized by combining two companies, such as cost savings or increased revenues.
Terminal Multiple Method	A method for determining terminal value by applying a valuation multiple to the final years metric.
Terminal Value	The value of a business at the end of a forecasted period, used in valuation models.
Unlevered Beta	A beta that excludes the effects of a company's debt, representing only the business risk.
Unlevered Free Cash Flow (UFCF)	Cash flow available to all capital providers before accounting for debt obligations.
Valuation	The art and science of attributing value to an asset, investment, or company.
Valuation Consistency	The practice of aligning the numerator and denominator in financial ratios with the valuation method being applied.
Valuation Multiples	Ratios used in valuation, such as EV/EBITDA or P/E, to assess a company's financial performance.
Weighted Average Cost of Capital (WACC)	The weighted average cost of equity and debt financing, reflecting a company’s capital structure.